

BANKING & FINANCE / CREDIT UNIONS



BY DEBBIE CRAIG, *columnist*

What's Important to You?

Each of us will probably have a different answer to the question. Many people will reply with a version of family, faith or friends. But what if we were to look at the question more deeply? How do you invest your time, energy and assets to advance what's important to you? And after you're gone, do you want to leave a legacy for what's important to you? It's easier than you think and there are many options.

Donor Advised Funds –

A DAF is an agreement between the giver and a charitable entity. The donor selects how much and when to gift to the charity of choice. DAFs can be very convenient (accepting cash, mutual funds, real estate, stocks), flexible (investment profile, changing charity recipients, no set schedule) and cost efficient (low administrative costs, few reporting rules and tax filing requirements).

Charitable Remainder Trust –

A CRT is an irrevocable trust designed to provide income to the donor during his or her lifetime by investing assets that will ultimately be donated to charity. The trust is designed to pay income for a specific number of years or for life. At the specified end date, the remainder of the assets becomes property of the designated charity.

Charitable Lead Trust –

A CLT pays an annuity to a charity for a set number of years and then pays the remainder to the specified

beneficiary(s). It can be set up while the client is living or can take effect at death. This strategy could be suitable for an individual who is able to give up income for a given period of time, but would like the capital to return to themselves, a family member or another at the end of the designated period.

Charitable Gift Annuity –

A CGA is a contract between the donor and, generally, a charitable foundation. In exchange for a gift (typically more than \$50,000 in cash or securities), the charitable foundation will pay 1-2 annuitants a fixed sum for life. At the time of the second death, the remaining balance will be distributed to the donor's choice of charity or a Donor Advised Fund. The unique benefit with a CGA is the donor's ability to change the ultimate charitable beneficiary at the discretion of the donor. This flexibility is typically not available for the CRT.

Qualified Charitable Distribution –

At age 70 ½, individuals must begin to withdraw money from their tax-deferred accounts (IRAs, SEP IRAs, SIMPLE IRAs, 403bs, 401ks, etc). These are called RMDs or MRDs. At the time of the distribution, it becomes a taxable event. A QCD gives the account owner the ability to give the withdrawal to a charity, thereby eliminating the tax obligation. If a person is already charitably inclined, this may be a tremendous opportunity!

Gift of cash or appreciated assets –

This is the simplest and most direct way to give. Gifts of cash are always welcome and these gifts can be designated. I have a client who grew up in a home where both parents were deaf. She became an interpreter for the deaf as a career choice. In her later years, she donated to DEAFCAN, an advocacy network for the deaf in the greater Detroit area.

Similarly, a donor can gift an asset (property, mutual fund positions or individual stocks) to the charity as well as cash.

By giving an appreciated stock, the donor may enjoy an income tax deduction in addition to taking advantage of not having to pay capital gains taxes on the appreciation. As always, consult your team of professional advisors – attorney, accountant, financial advisor – about the details (deductibility, limits, alternatives) involved in this type of giving. (Raymond James financial advisors do not render advice on tax or legal matters.)

Understanding your options – and the advantages of each – can help you effectively promote your favorite cause while you're around to witness the effects of strategic giving. It's the start of a legacy that will continue to grow after your passing. Call your financial advisor to discuss charitable giving as part of your estate plan.

So, what's important to you? Heart health? Clean waters? Cancer cures? Music appreciation? Educational endowments? Keep it going.

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